

**CITY OF SAN DIEGO
M E M O R A N D U M**

DATE: August 1, 2005

TO: City Council Transition Committee

FROM: Lisa Irvine, Deputy City Manager

SUBJECT: Establishing the Office of the Independent Budget Analyst (IBA) and the Office of Legislative Analysis (OLA)

Independent Budget Analyst (IBA)

Proposition F, Section 270(f) states that “[t]he Council shall have the right to establish an Office of Independent Budget Analyst to be managed and controlled by the Independent Budget Analyst...” At the May 26, 2005 meeting, the City Council Transition Committee voted in favor of establishing the Office of the Independent Budget Analyst (IBA) and directed the City Manager to conduct an analysis on how to staff the new IBA office with existing positions either from the Mayor’s office or other City departments.

As recommended by the Transition Committee, the roles and responsibilities of the IBA should include the review and analysis of the Mayor’s proposed annual budget, generating reports on budget impacts of pending legislation when requested to do so by Council, and conducting fiscal research and analysis of legislation introduced by the Mayor, City Council, Council Committees, or individual Councilmembers.

Office of Legislative Analysis (OLA)

While Proposition F did not specifically call for the establishment of a legislative analysis function, the consulting team (Dewey Square Group) strongly recommended the creation of this function to balance the powers of the legislative branch with the executive branch under the new government structure. Having a Council-wide legislative advisory function that reports directly to the Council can provide the necessary independent, unbiased, and professional analysis that will help unify the Council as a body. This is a resource that can help strengthen the legislative branch so that the Council will be a co-equal entity with the executive branch.

At the July 14, 2005 meeting, the Transition Committee voted in favor of establishing an Office of Legislative Analysis (OLA). The Committee then directed the City Manager to return with a plan to staff the OLA by proposing transfers of positions from appropriate City departments and the Mayor’s office.

As directed, staff conducted an analysis of the functions, roles and responsibilities of both the IBA and OLA functions. Also, taking into consideration the recommendations from the Citizen's Advisory Committee and the Transition Committee, staff is recommending that the IBA and OLA offices be staffed similarly in that each office would have an equal number of analysts and would share support staff. This proposal is also consistent with Dewey Square's recommendations for staffing the IBA and OLA offices, derived from their research of seven other cities. However, it is important to note that with any new program, it is difficult to predict work loads, the distribution of work throughout the year, or whether the work demands a redistribution of staff between programs. Therefore, it is recommended that enough flexibility be given so that analyst positions could be redistributed between the two offices if necessary. Additionally, the staffing levels of both offices should be re-evaluated after the first year to ensure that staffing is appropriate to expectations and work load.

Staffing Estimates

<u>IBA Office</u>	<u>Positions</u>	<u>Salary</u>	<u>Amount w/ fringe</u>
Independent Budget Analyst	1	\$118,000	\$170,000
Senior Management Analyst	1	\$ 69,000	\$100,000
Associate Management Analysts	2	\$ 61,000	\$180,000
<u>OLA Office</u>			
Chief Legislative Analyst	1	\$118,000	\$170,000
Senior Management Analyst	1	\$ 69,000	\$100,000
Associate Management Analysts	2	\$ 61,000	\$180,000
Shared Support Staff	1	\$ 36,000	\$ 58,000
Start-up and ongoing costs for both offices			<u>\$ 75,000</u>
Total	9		\$1,033,000

Funding Options

The primary funding sources analyzed by staff are outlined and described below. Attachment 1 provides more detail of the two options for the Transition Committee to consider in funding the new IBA and OLA offices.

1. FY2006 Budget Allocation. \$250,000 is included in the FY2006 budget for the purpose of

the transition to the new form of government and could be used to help fund the IBA and OLA offices.

2. City-wide Management. The Council Budget Liaison position was established in Fiscal Year 2002 to provide the Mayor and City Council independent budget analysis and a more in-depth understanding of City departments, activities, programs and priorities. With the establishment of the IBA this position would be redundant. Therefore, it is proposed that the budgeted amount for this function of approximately \$130,000 be reallocated to the IBA/OLA functions.
3. Mayor's Office. As directed by the Committee, staff looked at the Mayor's office to determine how much of that budget could be reallocated to the IBA/OLA. The rationale for taking resources from the Mayor's budget is that under the new form of government the Mayor will oversee the entire executive branch, i.e. all City departments currently under the City Manager's authority. With all of the executive staff working for the Mayor, it is acknowledged that the Mayor will no longer need as many staff positions as allocated under the current form of government. The FY2006 final budget for the Mayor's office includes 25 full time equivalent (FTE) positions and a budget of approximately \$2.5 million. Scenario #1 would transfer 4 positions for a total of \$332,000 shifted from the Mayor's budget to the IBA/OLA functions (13.28% of the Mayor's total budget.) Scenario #2 would transfer three positions, with an average cost of \$83,000 (salary plus fringe), for a total of \$249,000 (9.96% of the Mayor's total budget.)
4. General Government Services. The General Government Services departments are a group of General Fund Central Service departments that provide services to other City departments. These General Government Services departments include Auditor-Comptroller, Budget & Management Services, Purchasing, City Attorney and others. Enterprise and Proprietary funds actually reimburse the General Fund for services provided by these central services departments. Since the intent of this proposal is to implement the IBA/OLA functions within existing financial resources, it is felt that redirecting some portion of funding from Central Service departments to this function is appropriate.
5. City Council Budgets. Another funding option to add to the menu of choices would be to transfer a small portion from each of the eight Council offices. Scenario #2 includes transferring 0.25 FTE (\$17,016) from each Council office for a total of 2 FTE (\$136,127) going to the IBA and OLA functions. The rationale for taking resources from each of the Council offices equally is that the functions of the IBA and OLA will assist each of the Council offices with budget analysis and policy analysis, thereby shifting some of the workload from Council staff to the IBA and OLA staff.

Funding Scenario #1

The first scenario includes the FY2006 budget allocation for the establishment of the IBA and OLA offices, the Council budget liaison position, the transfer of 4 positions from the Mayor's office, and contributions from Central Services departments.

Funding Scenario #2

The second scenario assumes the FY2006 budget allocation, the Council budget liaison position, the transfer of 3 positions from the Mayor's office, contributions from Central Services departments, and the transfer of 0.25 positions from each Council office.

Funding Scenarios Summary Table

Assumptions	Scenario #1	Positions*	Scenario #2	Positions*
FY06 Budget Allocation	\$250,000	2	\$250,000	2
Council Budget Liaison	\$130,000	1	\$130,000	1
Mayor's Office	\$332,000	4	\$249,000	3
City Council	\$0	0	\$136,127	2
Central Services Departments	\$321,000	2	\$267,873	1
Total	\$1,033,000	9	\$1,033,000	9

*This is an approximate number of positions depending on staff level

Scenario #2 is presented because the functions provided by both the IBA and OLA office will directly benefit the Council as a whole and may reduce some of the analysis that is currently being conducted by individuals in each office. Additionally, taking a small amount from each Council office will slightly reduce the amount taken from the General Government Services allocations. This is illustrated in more detail in Attachment 1.

IBA/OLA Selection Process

As recommended by the Dewey Square Group and emphasized by the Citizen's Advisory Committee, the search for the Independent Budget Analyst should begin immediately in order for the IBA to be in place before January 1, 2006. The first step should be the search, selection and hiring of the IBA. Once the IBA is on board, s/he can assist in establishing the office. The search, selection and hiring of the OLA is important as well, however the timing may not be as urgent.

One of the primary reasons that the IBA must be in place before January 1, 2006 is that Council Policy 000-20 requires that the budget process for the ensuing year must begin in November, and Proposition F requires that the Proposed Budget be established by April 15. This means that the budget process will be well under way by January 1.

Attachment 2 includes information provided by the Human Resources Department that outlines the process and timeline for hiring the IBA and OLA positions. If directed by the Committee, staff can begin this process utilizing in-house staff or by retaining an outside search firm.

The information in Attachment 2 also includes an explanation of the pros and cons between hiring those positions as classified positions or unclassified positions.

It is recommended that the Independent Budget Analyst and the Chief Legislative Analyst be unclassified positions. Managerial-level employees having significant responsibilities for formulating or administering departmental policies and programs typically serve in the unclassified service. Unclassified employees are typically the directors and managers of departments/divisions/programs exercising broad managerial responsibilities.

Employees in the Classified Service are covered by the Civil Service rules and regulations regarding employment terms such as promotions, layoffs, discipline and termination. It is recommended that the analysts serving under the IBA and Chief Legislative Analyst be at the classified level. One advantage of the classified service is that it provides a structure for continuity and a process for employees to grow professionally within the organization. This is an important component of classified service and will foster a level of professionalism and longevity that may serve the offices of the IBA and OLA favorably.

Conclusion

As outlined above, the analysis shows that funding the new offices of the IBA and OLA is estimated to cost approximately \$1,033,000 annually including personnel expenses, start-up and on-going non-personnel costs. Consistent with earlier direction provided by the Committee, staff analyzed the transfer of budgets and positions from the Mayor's office and managerial departments in order to achieve a cost neutral plan. Two funding scenarios are provided herein for the Transition Committee to consider. Staff

Page 6
Transition Committee
August 1, 2005

is seeking specific direction from the Transition Committee on the following issues:

1. Approve the staffing level estimates as provided herein.
2. Select the preferred funding scenario to establish the IBA and OLA functions: Funding Scenario #1, Funding Scenario #2, or a combination of both.
3. Direct staff to commence the IBA selection process or retain an outside search firm to assist in the IBA selection process.
4. Direct staff to either, begin the selection process of the OLA now or wait until after the IBA is hired.
5. Establish a Council subcommittee to assist in the selection of the IBA.

Respectfully submitted,

Lisa Irvine
Deputy City Manager

LI/bam

Attachments: 1. IBA/OLA Funding Scenarios
 2. IBA/OLA Hiring Process

Cc: P. Lamont Ewell
 Bruce Herring

OFFICE OF INDEPENDENT BUDGET ANALYST

POTENTIAL RECRUITING PROCESS AND TIMEFRAME

(This process is predicated upon the passage of an ordinance establishing the Office of Independent Budget Analyst).

Step 1 – Develop job description and job announcement and determine the recruiting/advertising strategy. For example, should this recruitment be county wide, statewide or national. If the recruitment is to be conducted by an outside firm, then the contract should be completed as soon as possible. The contract will need to delineate the level of council participation in the selection process, as well as “ideal candidate” information. This step should take no longer than two weeks.

Step 2 – Concurrent with Step 1 above, the position(s) to be exempted from classified service should be submitted to Civil Service Commission for advisory review and comment. The Commission meets the first Thursday of every month and items to be docketed need to be submitted two weeks prior to the meeting.

Step 3 – Upon receipt of the advisory review and comment by the Commission, request for exemption from the classified service must then be submitted to the City Council for approval. This step will take approximately three weeks from the date of the Civil Service Commission meeting and can run concurrent with advertising and recruiting.

Step 4 – Concurrent with Step 3 above, advertising and recruiting suitable candidates should be well underway. The job should be open for at least two weeks and preferably a month. This is especially the case if the recruitment is to extend beyond San Diego County.

Step 5 – As applications are received, staff or consultant can review and determine the best candidates to participate in the interview and selection process. If candidates are coming from out of the San Diego area, travel arrangements may necessitate additional time in scheduling. This delay may be diminished by planning in advance for the interviews and publishing the interview date in all announcement materials. This part of the process will take approximately two to four weeks, depending upon availability, prior

planning and level of council participation in the selection process.

Step 6 – This step includes final interviews, selection, background checking, salary and contract negotiations. It is difficult to predict this time frame. Depending upon the residence of the final candidate, it could take four or more weeks to actually have the new employee here on the job.

City of San Diego Classified/Unclassified Employment

San Diego City Charter Article VIII, Section 117 distinguishes two types of employment with the City of San Diego; classified and unclassified. This section provides a list of positions that are to be unclassified, such as all elected officials, the City Manager, department heads and other managers. This section also provides general parameters for determining additional types of positions that may be exempted from the classified services. Specifically, the language in Section 117 states that unclassified service shall include the following:

“Managerial employees having significant responsibilities for formulating or administering departmental policies and programs. Each such position shall be exempted from the Classified Service by ordinance, upon the initiation of the appropriate appointing authority and after receiving the advisory review and comment of the Civil Service Commission and the approval of the City Council.”

Employees in the Classified Service are covered by the Civil Service Rules and Regulations regarding employment terms such as promotions, layoff, discipline and termination. The Civil Service Rules provide classified employees with the right to submit grievances regarding employment conditions and appeal adverse employment actions to the Civil Service Commission.

Employees in the Unclassified Service are designated as “At-Will” employees and are not covered by the Civil Service Rules and Regulations. Unclassified employees are hired by a process that is not outlined by the Personnel Rules. Unclassified employees are also disciplined and or terminated without the benefit of appealing to the Civil Service Commission though; they may appeal to their appointing authority. It is important to note that unclassified employees are required to follow most procedural rules that are applicable to the classified employees such as completing leave slips. Finally, Unclassified employees often engage in an employment contract that indicates a duration of service, such as the term of the office holder hiring the employee.

The pros and cons of unclassified service are important to consider. For example, unclassified employees are typically the directors and managers of departments exercising broad managerial responsibilities. On the other hand, classified employees include a broad range of classifications from entry level to journey level professionals. For example, word processing operators, clerical assistants, management analysts and accountants are all classified employees. The classified service provides a structure for continuity and a process for employees to grow professionally within the organization. This is an important component of classified service and will foster a level of professionalism and longevity that may serve the Independent Budget and Legislative Analysts well.

IBA/OLA Funding Options

Attachment I

Scenario #1		
Citywide - FY 06 allocation		\$250,000
Citywide - Council Budget Liaison		\$130,000
Mayor		\$332,000
<u>General Gov. Services including:</u>		
City Clerk	4.66%	\$14,948
Attorney	28.12%	\$90,265
Governmental Relations	1.32%	\$4,222
Manager	1.10%	\$3,530
Auditor-Comptroller	15.55%	\$49,920
Treasurer	16.63%	\$53,370
FM-B&MS	4.86%	\$15,610
FM-Purchasing	3.71%	\$11,897
Personnel	16.29%	\$52,286
Citizens' Assistance	1.52%	\$4,865
Citywide	6.26%	\$20,086
Total IBA Budget		\$1,033,000

Scenario #2		
Citywide - FY 06 allocation		\$250,000
Citywide - Council Budget Liaison		\$130,000
Mayor		\$249,000
City Council		\$136,127
<u>General Gov. Services including:</u>		
City Clerk	4.66%	\$12,474
Attorney	28.12%	\$75,325
Governmental Relations	1.32%	\$3,523
Manager	1.10%	\$2,946
Auditor-Comptroller	15.55%	\$41,658
Treasurer	16.63%	\$44,537
FM-B&MS	4.86%	\$13,026
FM-Purchasing	3.71%	\$9,928
Personnel	16.29%	\$43,632
Citizens' Assistance	1.52%	\$4,060
Citywide	6.26%	\$16,762
Total IBA Budget		\$1,033,000

Assumptions

Scenario #1

Use FY06 allocation
 Transfer Council Budget Liaison position from Citywide
 Transfer equivalent of 3.00 Council Rep IIs from Mayor's budget
 Determine % depts make up of General Gov. Services allocation and apply that % to total IBA budget

Scenario #2

Use FY06 allocation
 Transfer Council Budget Liaison position from Citywide
 Transfer equivalent of 4.00 Council Rep IIs from Mayor's budget
 Transfer equivalent of 2.00 Council Rep IIs from City Council budgets (.25 FTE from each district)
 Determine % depts make up of General Gov. Services allocation and apply that % to total IBA budget

Alternate Staffing for IBA Office

Classification	FTE	Salary and Fringe	Total
Deputy Director (IBA/OLA)	2.00	\$170,000	\$340,000
Senior Management Analyst	2.00	\$100,000	\$200,000
Associate Management Analyst	4.00	\$90,000	\$360,000
Word Processing Operator	1.00	\$58,000	\$58,000
Non-Personnel Expenses			\$75,000
Total Proposed Budget	9.00		\$1,033,000